

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

LEA MÁRQUEZ PETERSON - Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

In the matter of:

Jad Morris and Svitlana Kwee, husband and wife,

Financial Leverage LLC, an Arizona limited liability company,

IQBiz Financial LLC, an Arizona limited liability company,

and

IQBiz Funding, LLC, an Arizona limited liability company,

Respondents.

DOCKET NO. S-21210A-22-0270

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF OPPORTUNITY
FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Jad Morris, Financial Leverage LLC ("Financial Leverage"), IQBiz Financial LLC ("IQBiz Financial"), and IQBiz Funding, LLC ("IQBiz Funding") are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

I.**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.**RESPONDENTS**

2. Morris has been an Arizona resident since at least 1994. Morris has not been registered by the Commission as a securities salesperson.

3. Financial Leverage is a manager-managed limited liability company organized under the laws of Arizona on April 21, 2015. Morris has been the sole member and manager of Financial Leverage since April 21, 2015. Financial Leverage has not been registered by the Commission as a dealer.

4. IQBiz Financial is a member-managed limited liability company organized under the laws of Arizona on September 26, 2018. Morris has been the sole member of IQBiz Financial since September 21, 2018. IQBiz Financial has not been registered by the Commission as a dealer.

5. IQBiz Funding is a manager-managed limited liability company organized under the laws of Arizona on March 31, 2022. Morris has been the sole member and manager of IQBiz Funding since March 31, 2022. IQBiz Funding has not been registered by the Commission as a dealer.

6. Morris, Financial Leverage, IQBiz Financial, and IQBiz Funding may be referred to collectively as "Respondents."

7. Svitlana Kwee has been the spouse of Respondent Morris since at least August 12, 2022. Svitlana Kwee may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. §44-2031(C).

8. At all relevant times, Respondent Morris and Respondent Spouse were acting for their own benefit and on behalf of and for the benefit of the marital community.

III.

FACTS

9. As recently as September 27, 2022, Morris has been actively seeking investments.

10. From at least January 1, 2019 through the present, at least four investors have invested at least \$428,000 with Morris.

11. A certain business funding platform (the “Funding Platform”) helps small businesses with funding by helping them build and acquire credit. The Funding Platform uses software to allow clients to apply for multiple credit cards simultaneously in order to reduce the impact on their credit score.

12. When Morris discovered the Funding Platform, he asked to offer the service and obtained a license to use the Funding Platform’s portal. With this, Morris would earn about \$1,900 for every person he referred to the Funding Platform. Access to the Funding Platform’s portal also allowed Morris to view the amount of credit clients were approved for.

13. Morris used this knowledge to reach out to clients and convince them to leverage their credit in order to invest with him and his companies. Those investments are described below.

14. In some cases when an investor didn’t already have business credit and debt, Morris would tell investors to use personal credit cards to invest with him right away, and then create a business entity and use the Funding Platform to obtain business credit to pay off the personal credit cards and “not need to pay back [the business loans/credit cards] personally.”

15. In fact, investors are personally liable for their business credit and debt because they are personal guarantors for it.

16. Morris was careful to instruct clients not to tell the Funding Platform about their investments with him and to say the funding was “for business stuff.” Morris did not mention that misrepresenting the purpose of the funds could also make investors personally liable for their business credit and debt, even if they weren’t personal guarantors.

1 17. Morris never disclosed to investors the substantial risk that they would pay more in
2 interest on their debt than they could earn in returns on their investments with him.

3 18. After convincing them to invest, Morris would receive wire transfers from investors
4 or directly charge their credit cards, mostly through IQBiz Financial or Financial Leverage. Morris
5 would then provide falsified invoices to investors for various business consulting services, which
6 Morris claimed was so investors could use the invoices for tax write offs.

7 19. On at least one occasion, Morris sent an investor a falsified 1099 and told the investor
8 to show it to the Funding Platform as proof of business income.

9 20. When investors questioned Morris about their funds, he would tell them he was close
10 to “winning” but needed more money and used high pressure tactics to encourage them to take on
11 more debt in order to give him more funds. Morris would often become angry and react aggressively
12 towards investors when they requested refunds. On occasion, he has blamed employees for losing
13 investors’ money and threatened physical violence against those employees.

14 21. Some investors are over the age of 60, and at least one of those investors may be a
15 vulnerable adult.

16 22. On at least one occasion, Morris attempted to convince an investor to refinance their
17 home to invest more funds with him. And, despite never earning returns for that investor, demanded
18 \$20,000 from them for “taxes.”

19 23. The majority of the investments offered and sold by Morris and his companies
20 involved either managed trading accounts or efforts to build an investor’s “downline” in multi-level
21 marketing companies.

22 **The Managed Trading Accounts**

23 24. Contrary to the invoices Morris issued to investors, funds from the credit card charges
24 were supposed to be used in securities trading accounts to be managed exclusively by Morris or his
25 staff (the “Managed Accounts”).
26

25. In exchange for managing the Managed Accounts, Morris would charge between \$300–\$900 a month and, on at least one occasion, a one-time payment of \$40,000. Morris and his staff were also supposed to be paid a percentage of profits on the Managed Accounts.

26. Investors expected to earn a profit from the Managed Accounts and Morris promised some investors specific returns and that some investors would not lose any money.

27. At least once, Morris claimed he would double an investor’s \$600,000 trading account to \$1.2 million if the investor gave him another \$7,500. That did not happen.

28. Despite the guarantees, investors did not earn a return on their investment and lost most or all of their principal.

The Call Center Scheme

29. In multi-level marketing businesses, existing members are encouraged to recruit new members and receive a percentage of those new members’ sales and recruits. A “downline” refers to the new members signed up under an existing member.

30. Morris became involved in a multi-level marketing business called Auvoria Prime. Auvoria Prime is a subscription-based company that provides securities trading software and education.

31. It charges subscription fees based on tiered levels, the most expensive being \$399/month. Auvoria Prime calls their referral model the “affiliate program.” It describes affiliate earners as those who “have decided to share Auvoria Prime as a revenue source.” Auvoria Prime charges an extra \$15/month to be an affiliate earner with Auvoria Prime.

32. Morris convinced some investors to invest with him so he could build their downlines, primarily in Auvoria Prime.

33. This scheme involved the purported funding of a call center from which staff would cold-call people and put them in an investor’s downline by convincing them to sign up for the company under the investor’s name.

1 34. Investors understood they would pool their funds with other investors to finance the
2 call center and new recruits would be added to each investor's downline on a rotating basis.

3 35. Morris guaranteed investors would receive over \$1,000 per month from their
4 downlines. On at least one occasion, Morris guaranteed an investor \$5,000 per month. Investors did
5 not receive the promised returns and lost most or all of their principal.

6 36. The call center was supposed to be managed exclusively by Morris.

7 **Morris's Background**

8 37. In 2004, the Wisconsin Division of Securities of the Department of Financial
9 Institutions issued an order of prohibition against Morris for the offer and sale of unregistered
10 securities by an unlicensed person (the "Wisconsin Order").

11 38. Morris's violations stemmed from his activities with two Arizona companies. The
12 order found "that any further offer or sale of unregistered securities by or on behalf of [Morris] would
13 be fraudulent to purchasers" and prohibited Morris from making any further sales of unregistered
14 securities or acting as an unlicensed salesperson.

15 39. In 2007, the IRS filed a tax lien against Morris for over \$67,000 in unpaid taxes for
16 the tax years 2004–06.

17 40. In 2008, a creditor was awarded judgment against Morris and one of his companies
18 for over \$63,000.

19 41. In 2009, American Express was awarded judgment against Morris and one of his
20 companies for over \$80,000.

21 42. In 2010, the State of Arizona filed a tax lien against Morris for over \$11,000 in unpaid
22 taxes for the tax years 2004 and 2006. In 2017, the State of Arizona was awarded a default judgment
23 against Morris for those taxes.

24 43. In 2018, the IRS filed tax liens against Morris for over \$23,000 in unpaid taxes for
25 the tax years 2009, 2010, 2013, 2014, and 2015.

44. Morris did not disclose to investors the Wisconsin Order, the creditor judgments against him, or the over \$100,000 in unpaid tax liens against him.

45. As recently as October 18, 2022, Morris, who has a criminal history of assault and disorderly conduct, has taken to harassing and threatening investors by:

a) Posting veiled Facebook threats about releasing an investor's personal information if they continue with their complaints;

b) Telling an investor he would only refund a recent investment if the investor signed an agreement with him and let him destroy evidence; and

c) Sending many threatening emails, texts, and voicemails.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

46. From on or about January 1, 2019, Respondents have been offering or selling and/or making, participating in, and/or inducing the sale of securities in the form of investment contracts, within or from Arizona.

47. The securities referred to above are not registered pursuant to Articles 6 or 7 of the Securities Act.

48. This conduct violates A.R.S. § 44-1841, and Respondents are liable pursuant to A.R.S. § 44-2003(A).

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

49. Respondents are offering or selling and/or making, participating in, and/or inducing the sale of securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

50. This conduct violates A.R.S. § 44-1842, and Respondents are liable pursuant to A.R.S. § 44-2003(A).

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

51. In connection with the offer or sale of securities within or from Arizona, Morris is, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. Morris's conduct includes, but is not limited to, the following:

- a) Making the untrue statement of material fact that investors would not be personally liable for debt they took on for their investments;
- b) Making the untrue statement of material fact that investors were certain to earn large returns and not lose their money;
- c) Omitting to state the material fact of the Wisconsin Order against Morris;
- d) Omitting to state the material fact of Morris's substantial unpaid tax liens;
- e) Omitting to state the material fact of the substantial creditor judgments against Morris; and
- f) Omitting to state the material fact that there was a considerable risk an investor would likely pay more in interest on their debt than they would earn in returns on their investments.

52. This conduct violates A.R.S. § 44-1991.

53. Respondents have been making, participating in, and/or inducing these unlawful sales of securities and are liable pursuant to A.R.S. § 44-2003(A).

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act [or IM Act]

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

IT IS FURTHER ORDERED that if a request for hearing is made, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered unless otherwise ordered by the Commission.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that Respondent and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action; and

5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. The requesting respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet website at <http://www.azcc.gov/hearing>.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered.** After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties, or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties, or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,

1 ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should
2 be made as early as possible to allow time to arrange the accommodation.

3 **X.**

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,
6 the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to
7 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,
8 within 30 calendar days after the date of service of this Temporary Order and Notice. Filing
9 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
10 Commission's Internet web site at <http://www.azcc.gov/hearing>.

11 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
12 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
13 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
14 addressed to Sasha Andersen.

15 The Answer shall contain an admission or denial of each allegation in this Temporary Order
16 and Notice and the original signature of the answering respondent or the respondent's attorney. A
17 statement of a lack of sufficient knowledge or information shall be considered a denial of an
18 allegation. An allegation not denied shall be considered admitted.

1 When the answering respondent intends in good faith to deny only a part or a qualification of an
2 allegation, the respondent shall specify that part or qualification of the allegation and shall admit the
3 remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an
5 Answer for good cause shown.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 20th day of
7 October, 2022.

8 /s/
9 Mark Dinell
10 Director of Securities
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